



ACQUISITION AND
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010



SEP 15 1997

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DIRECTORS, DEFENSE AGENCIES
DIRECTOR, DEFENSE PROCUREMENT
COMMANDER, DEFENSE CONTRACT MANAGEMENT
COMMAND

SUBJECT: Government Property in the Possession of Defense Contractors

It is Government policy that contractors ordinarily all be required to furnish all property necessary to perform Government contracts. Nevertheless, the acquisition value of DoD-owned tooling and equipment in the possession of contractors has increased 60% in the past decade.

The Department must reverse this trend, and reduce the amount of government-owned tooling and equipment in contractors' custody. An Integrated Process Team has identified three courses of action aimed at achieving these objectives:

- Disposition or place on a direct-funded storage contract any government property no longer required for contract performance.
- Under cost reimbursement contracts, cease automatically taking title to contractor acquired tooling and equipment, but obtain right to title when essential to protect the Government's interest.
- When government owned tooling and equipment must be furnished, normally furnish "as is."

The execution strategy for Management Reform Memorandum #5 shall encompass the first objective. The Military Departments and Defense Agencies, in conjunction with DCMC, shall ensure that program managers and other property owners and administrators identify tooling and equipment that is no longer essential for the performance of a contract. Any such identified tooling and equipment shall be considered for immediate disposition or placed on a direct-funded storage contract if there is a known future need. Uniform procedures to accomplish this task are being developed and will be promulgated in the near future.

Furthermore, program managers and other property owners shall also examine their management of active and idle government-owned property and their visibility of property to which DoD has right to title, to ensure that decisions about retention, disposition, and taking title are informed and timely. All property owners shall have a process to ensure continued



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management emphasis on reducing the amount of government property in the possession of contractors and preventing any unnecessary additions to our inventory. Decisions to allow acquisition of and taking of title to new property shall be justified and documented in the acquisition plan or contract file. These requirements shall be incorporated into the next revision of DoD 5000.2-R.

The second and third courses of action will affect the public and, consequently, cannot be implemented until we consider public comment. I have asked the Director of Defense Procurement to prepare a revision to the Defense Federal Acquisition Regulation Supplement to accomplish these objectives, obtain public comments, and provide a summary of those comments and a recommended course of action to me as expeditiously as possible.

I appreciate your support in implementing these management improvements.

A handwritten signature in black ink, reading "Noel Longuemare". The signature is fluid and cursive, with the first name "Noel" and last name "Longuemare" clearly distinguishable.

R. Noel Longuemare
Acting Under Secretary of Defense
(Acquisition and Technology)